

## Message Text

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PAGE 01 TEGUCI 00265 162150Z

13-12

ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 /022 W

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R 162058Z JAN 76

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 2191

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: EINV, EAGR, HO

SUBJECT: BANANA COMPANY DEVELOPMENTS

REF: 75 TEGUCIGALPA 5225

SUMMARY: CASTLE AND COOK NEGOTIATIONS WITH THE SATE BANANA CORPORATION (COBANA) HIGHLY ACTIVE CONCERNING FUTURE OF ISLETA PROPERTY. UNITED BRANDS AWAITING GOVERNMENT CALL TO NEGOTIATE OF TRANSFER OF RAILROADS. UNUSUALLY VIRULENT DESEASE AFFECTING BANANA PLANTS IN MAJOR PRODUCING AREAS. UPEB MEETING SCHEDULED FOR TEGUCIGALPA IN EARLY FEBRUARY.

1. CASTLE AND COOK INTENSIVELY NEGOTIATING WITH GOH ON FUTURE OF ISLETA PROPERTIES. PRESENT BASIS OF DISCUSSION IS THAT BULK OF 43,000-ACRE AREA WILL BE EXPROPRIATED BY THE AGRARIAN REFORM INSTITUTE (INA). PRODUCTIVE AREAS AND INFRASTRUCTURE WILL BE PLACED UNDER CONTROL OF COBANA. COMPANY NEGOTIATING WITH COBANA TOWARDS REACHING TECHNICAL SERVICES AND MATERIALS COOPERATION AND CONTRACT TO MARKET PRODUCTION. COMPANY OFFICIAL STATES THAT INTENSIVE DISCUSSIONS SHOULD TERMINATE AND COBANA

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PAGE 02 TEGUCI 00265 162150Z

PRESENT OPERATING PLAN TO ITS BOARD OF DIRECTORS JANUARY 19.

PRIMARY DIFFICULTY IS INABILITY OF COBANA TO MAKE PROJECT PROFITABLE OR EVEN SELF-SUSTAINING. UNLESS COBANA ACCEPTS THAT LOSSES WILL BE BALANCED BY PROJECT EMPLOYMENT AND FOREIGN EXCHANGE EARNINGS, BALANCE SHEET WILL NOT SUPPORT GOING AHEAD. COBANA IS SEEKING HIGHER OFFTAKE PRICE FROM COMPANY WHICH HAS NO LIKELIHOOD OF ACCEPTING. GOVERNMENT ACCEPTANCE OF REJECTION OF PROJECT COULD BE DECIDED NEXT WEEK.

2. UNITED BRANDS AWAITING CALL FROM COBANA TO NEGOTIATE DISPOSITION OF RAILROAD PROPERTIES BELONGING TO COMPANY. DELAY IN CALL OBVIOUSLY RELATED TO DIFFICULTY IN REACHING WORKABLE PATTERN FOR COBANA IN ISLETA.

3. UNITED BRANDS LOCAL REPRESENTATIVE HAS SUMMARY OF AGREEMENT MADE BY HIS COMPANY WITH PANAMA. HE SEES AGREEMENT AS QUITE WORKABLE AND AS CONTAINING ELEMENTS OF APPLICABILITY TO HONDURAN SITUATION. MEANWHILE COMPANY BEING SUBJECTED TO DUAL TAXES ON STEMS (ABOUT HALF OF EXPORTS) AND BOXES, AND WISHES EARLY RESOLUTION WITH COBANA. IN ADDITION, COMPANY MUST COMMENCE INTRODUCE LABOR CONTRACT NEGOTIATIONS THIS WEEK. EXISTING CONTRACT EXPIRES IN FEBRUARY.

4. BOTH U.S. COMPANIES AND LOCAL BANANA PLANTATIONS ARE BEING ATTACKED BY VIRULENT FUNGAS BELIEVED TO BE SIGATOKA. NORMAL PROTECTION OF PLANTS AGAINST THIS DISEASE CALLS FOR SPRAYING ON A THREE-WEEK SCHEDULE. APPARENTLY A NEW STRAIN OR MUTATION OF THE FUNGUS WHICH IS HIGHLY RESISTANT TO TRADITIONAL FUNGICIDES IS SPREADING BROADLY THROUGH THE HONDURAN BANANA PLANTATIONS. UNITED BRANDS HAS SHIFTED TO A STRONGER, MORE EXPENSIVE FUNGICIDE AND DOUBLED THE RATE OF APPLICATION TO 10-DAY PERIODS BY HIRING ADDITIONAL AERO-SPRAY SERVICES. THE COMPANY HAS CALLED IN PLANT DISEASE SPECIALISTS WHO ARE WORKING AROUND THE CLOCK TO IDENTIFY THIS SPECIFIC FUNGUS AND MODES OF ATTACKING IT. SO FAR, NO SOLUTIONS FOUND. INDEPENDENT PRODUCERS (40 PERCENT OF PRODUCTION) SERIOUSLY Affected. THEY HAVE CALLED FOR THE MINISTRY OF NATURAL RESOURCES TO ASSIST. ONE INDEPENDENT GROWER STATES THAT IF SOLUTION IS NOT FOUND, ALL OF THE PLANTATIONS WILL BE DESTROYED IN 90 DAYS.

5. THE PRESS REPORTS THAT THE UNION OF BANANA EXPORTING COUNTRIES  
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PAGE 03 TEGUCI 00265 162150Z

(UPEB) WILL HOLD A MEETING IN TEGUCIGALPA FEBRUARY 5. TO BE DISCUSSED IS A MULTINATIONAL CORPORATION TO MARKET BANANAS (COMUNBANA).

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